



#### E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31,					
	2006	2005	2004			
Revenue:						
Operating interest income	\$ 2,774,679	\$ 1,650,264	\$ 1,145,597			
Operating interest expense	(1,374,647)	(779,164)	(510,455)			
Net operating interest income	1,400,032	871,100	635,142			
Provision for loan losses	(44,970)	(54,016)	(38,121)			
Net operating interest income after provision for loan losses	1,355,062	817,084	597,021			
Commission	625,265	458,834	431,638			
Service charges and fees	137,441	135,314	97,575			
Principal transactions	110,235	99,336	126,893			
Gain on sales of loans and securities, net	55,986	98,858	140,718			
Other revenue	136,332	94,419	89,077			
Total non-interest income	1,065,259	886,761	885,901			
Total net revenue	2,420,321	1,703,845	1,482,922			
Expense excluding interest:						
Compensation and benefits	469,202	380,803	350,440			
Clearing and servicing	253,040	189,736	162,354			
Advertising and market development	119,782	105,935	62,155			
Communications	110,346	82,485	69,674			
Professional services	96,947	77,416	69,014			
Depreciation and amortization	73,845	74,981	77,892			
Occupancy and equipment	85,568	69,089	69,572			
Amortization of other intangibles	46,220	43,765	19,443			
Facility restructuring and other exit activities	28,537	(30,017)	15,688			
Other	136,042	59,860	90,891			
Total expense excluding interest	1,419,529	1,054,053	987,123			
Income before other income (expense), income taxes, minority interest, discontinued						
operations and cumulative effect of accounting change	1,000,792	649,792	495,799			
Other income (expense):						
Corporate interest income	8,433	11,043	6,692			
Corporate interest expense	(152,496)	(73,956)	(47,525)			
Gain on sales and impairment of investments	70,796	83,144	128,111			
Loss on early extinguishment of debt	(1,179)	-	(22,972)			
Equity in income of investments and venture funds	2,451	6,103	4,382			
Total other income (expense)	(71,995)	26,334	68,688			
Income before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	928,797	676,126	564,487			
Income tax expense	301,983	229,823	181,764			
Minority interest in subsidiaries	-	65	893			
Net income from continuing operations	\$ 626,814	\$ 446,238	\$ 381,830			





#### E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME-(Continued)

(In thousands, except per share amounts)

	Year Ended December 31,					
		2006		2005		2004
Discontinued operations, net of tax:						
Loss from discontinued operations	\$	(721)	\$	(21,495)	\$	(32,755)
Gain on disposal of discontinued operations		2,766		4,023		31,408
Gain (loss) from discontinued operations, net of tax		2,045		(17,472)		(1,347)
Cumulative effect of accounting change, net of tax		<u> </u>		1,646		
Net income	\$	628,859	\$	430,412	\$	380,483
Basic earnings per share from continuing operations	\$	1.49	\$	1.20	\$	1.04
Basic earnings (loss) per share from discontinued operations		0.00		(0.04)		(0.00)
Basic earnings per share from cumulative effect of accounting change		<u>-</u>		0.00		<u>-</u>
Basic net earnings per share	\$	1.49	\$	1.16	\$	1.04
Diluted earnings per share from continuing operations	\$	1.44	\$	1.16	\$	0.99
Diluted earnings (loss) per share from discontinued operations		0.00		(0.04)		(0.00)
Diluted earnings per share from cumulative effect of accounting change		<u> </u>		0.00		
Diluted net earnings per share	\$	1.44	\$	1.12	\$	0.99
Shares used in computation of per share data:						
Basic		421,127		371,468		366,586
Diluted		436,357		384,630		405,389





### E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

(In thousands, except share amounts)

ASSETS         2006         2008           Cash and equivalents         \$ 1,212,214         \$ 8,41,418           Cash and investments required to be segregated under Federal or other regulations         281,622         610,174           Trading securities         178,600         116,607           Available-Fest ale mortgage-backed and investment securities (includes securities) pledged for creditors with the right to sell or regidency of \$11,087,961 and \$11,792,684 at December 31,2006 and 2005, respectively)         13,221,983         28,374,683           Cons held-Fossle         283,404         8,737,41         8,737,781           Cons held-Fossle         283,409         8,737,481           Forkerage receivable, net (net of allowance for loan losses of Sof-Sof-Sof-Sof-Sof-Sof-Sof-Sof-Sof-Sof-		December 31,				
Cash and equivalents         \$ 1,212,234         \$ 844,188           Cash and investments required to be segregated under Federal or other regulations         281,622         610,174           Trading securities         17,800         146,657           Available-for-sale mortgage-backed and investment securities (includes securities) pledged to creditors with the right to sell or repledge of \$11,087,961 and \$11,792,684 at December 31,2006 and 2005, respectively)         13,921,983         12,763,488           Loans held-for-sale         283,406         87,371           Broker age receivables, net         76,65,552         7,174,175           Loans receivables, net         26,372,697         19,424,895           For 528 and \$63,286 at December 31, 2006 and 2005, respectively)         26,372,697         19,424,895           For 628 and \$63,286 at December 31, 2006 and 2005, respectively         21,729,20         20,034,56           Goodwill         29,02         20,034,56           Other intangibles, net         341,933         53,210           Other intangibles, net         471,933         53,210           To al assets         9,990,272         20,034,56           Coowell         29,090,272         1,010,42           Evaluation         2,020,20         20,034,56           Securities sold under agreements to repurchase         2,020,2				2005		
Cash and investments required to be segregated under Federal or other regulations         281,622         610,174           Trading securities         178,600         146,657           Available-for-sale mortgage-backed and investment securities (includes securities pledged to creditions with the right to sell or repledge of \$11,087,961 and \$11,792,684 at December 31,2006 and 2005, respectively)         13,921,983         12,763,483           Loans held-for-sale         283,496         87,371           Brokerage receivables, net         26,372,697         19,424,895           Forperty and equipment, net         318,389         299,256           Goodwill         2,072,200         2,003,456           Other assets         9,89,077         68,106           Total assets         9,89,077         68,106           Total assets         2,477,201         51,948,015           Deposits         \$24,071,012         \$15,948,015           Securities sold under agreements to repurchase         \$3,23,296         11,01,542           Dobe sis         \$3,23,296         11,01,542           Securities sold under agreements to repurchase         \$3,23,296         42,609,96           Coher horrowings         \$3,23,40         \$1,01,942           Schorerible subordinated notes         \$4,05,75         43,63           Convert	<u>ASSETS</u>					
Training securities         178,600         146,657           Available-for-sale mortgae-backed and investment securities (includes securities pledged to creditors with the right to sell or repledge of \$11,087,961 and \$11,792,684 at December 31,2006 and 2005, respectively)         13,921,983         12,763,488           Loans receivables, net         283,496         87,371           Brokerage receivables, net (net of allowance for loan losses of Sco. 28 at December 31, 2006 and 2005, respectively)         26,372,697         19,424,895           Goodwill         20,772,90         20,003,456           Other intangibles, net         471,933         532,108           Other sasets         98,907         681,968           Total assets         5,389,077         15,948,015           Total assets         2,4071,012         \$ 15,948,015           Securities sold under agreements to repurchase         2,972,422         11,101,542           Securities of borrowings         2,972,422         11,011,542           Senior notes         3,233,622         4,005,906           Senior notes         40,577         435,889           Convertible subordinated notes         40,577         435,889           Convertible subordinated notes         40,547         435,889           Convertible subordinated notes         40,542         34,666 <td>Cash and equivalents</td> <td>\$</td> <td>1,212,234</td> <td>\$</td> <td>844,188</td>	Cash and equivalents	\$	1,212,234	\$	844,188	
Available-for-sale mortgage-backed and investment securities (includes securities) pledged to creditors with the right to sell or repledge of \$11,087,961 and \$11,792,684 at December 31,2006 and 2005, respectively)         13,921,983         12,763,438           Loans held-for-sale         28,3496         87,371           Brokerage receivables, net         7,636,352         7,174,175           Loans receivable, net (net of allowance for loan losses of \$67,628 and \$63,286 at December 31, 2006 and 2005, respectively)         26,372,697         19,424,895           Property and equipment, net         318,389         299,256           Goodwill         2,072,920         2,003,456           Other insests         89,077         681,968           Other assets         89,077         681,968           Total assets         \$3,739,303         \$44,567,686           Elabilities           Liabilities         \$24,071,012         \$15,948,015           Securities sold under agreements to repurchase         \$24,071,012         \$15,948,015           Securities sold under agreements to repurchase         \$7,824,70         \$15,948,015           Securities sold under agreements to repurchase         \$1,401,942         \$14,019,42           Brokerage payables         \$2,4071,012         \$15,948,015           Securities sold under agreements to repur	Cash and investments required to be segregated under Federal or other regulations		281,622		610,174	
California Securities pledged to creditors with the right to sell or repledge of \$10,87,961 and \$11,792,684 at December 31,2006 and 2005, respectively)   13,921,983   2,763,436   8,7371     Doan's held-for-sale   28,346   7,744,175     Doan's receivable, net (net of allowance for loan losses of \$67,628 and \$63,286 at December 31,2006 and 2005, respectively)   26,372,697   19,424,895     Sof-Ocked and Sol 3,286 at December 31,2006 and 2005, respectively)   26,372,697   19,424,895     Property and equipment, net   318,389   299,256     Codwill   2,072,290   2,003,456     Cother intangibles, net   471,933   532,108     Other intangibles, net   989,077   681,968     Total assets   989,077   681,968     Total assets   989,077   681,968     Total assets   989,077   681,968     Total assets   9,792,422   11,101,542     Securities sold under agreements to repurchase   9,792,422   11,101,542     Deposits   9,792,422   11,101,542     Securities sold under agreements to repurchase   9,792,422   11,101,542     Securities sold under agreements to repurchase   9,792,422   11,101,542     Securities sold under agreements to repurchase   9,792,422   11,101,542     Deposits   9,792,423   11,101,542     Securities sold under agreements to repurchase   9,792,422   11,101,542     Secu	Trading securities		178,600		146,657	
Brokerage receivable, net (net of allowance for loan losses of Score (28 and \$63,286 at December 31,2006 and 2005, respectively)         7,636,32         7,174,175           Froperty and equipment, net         318,389         299,256           Goodwill         2,072,290         2,003,456           Other intangibles, net         989,077         681,068           Total assets         989,077         681,068           Total assets         53,739,303         24,576,868           Total solutifies         \$2,407,101         \$15,948,015           Exbertises old under agreements to repurchase         \$7,92,422         11,101,542           Securities sold under agreements to repurchase         9,792,422         11,01,542           Scourities sold under agreements to repurchase         9,792,422         11,01,542           Other borrowings         5,323,962         4,269,966           Scourities sold under agreements to repurchase         1,401,592         1,401,947           Other borrowings         3,140,1952         1,401,947           Scouries payables         4,263,966         3,845,866           Convertible subordinated notes         6,88,664         3,466,866           Convertible subordinated notes         6,88,664         3,466,866           Total liabilities         4,253	(includes securities pledged to creditors with the right to sell or		13,921,983		12,763,438	
Loans receivable, net (net of allowance for loan losses of \$67,628 and \$63,286 at December 31,2006 and 2005, respectively)         26,372,697         19,424,895           Property and equipment, net         318,389         299,256           Goodwill         2,072,920         2,003,456           Other intangibles, net         471,933         532,108           Other assets         989,077         681,968           Total assets         989,077         681,968           LIABILITIES AND SHAREHOLDERS' EQUITY           Liabilities         24,071,012         \$ 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,208           Other borrowings         3,23,962         4,206,996           Senior notes         14,01,592         1,401,994           Accounts payable, accrued and other liabilities         440,577         435,588           Convertible subordinated notes         440,577         435,688           Accounts payable, accrued and other liabilities         688,664         546,664           Accounts payable, accrued and other liabilities         4,263         4,168,126           Commen stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,	Loans held-for-sale		283,496		87,371	
867,628 and \$63,286 at December 31, 2006 and 2005, respectively)         26,372,697         19,424,895           Property and equipment, net         318,389         299,256           Goodwill         2,072,920         2,003,456           Other intangibles, net         471,933         532,108           Other sasets         89,077         681,968           Total assets         53,739,303         44,567,686           LIABILITIES AND SHAREHOLDERS' EQUITY           Total interest in repurchase         24,071,101         5 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,208           Scenir notes         140,572         42,669,96           Senior notes         140,1592         1401,947           Mandatory convertible notes         440,577         435,88           Coveritibe subordinated notes         68,864         546,664           Accounts payable, accrued and other liabilities         68,864         546,664           Total liabilities         4,263         4,168,126           Shareholders' equity         4,263         4,168           Additional paid-in capital ("APIC")         3,184,290         2,990,676 <td>Brokerage receivables, net</td> <td></td> <td>7,636,352</td> <td></td> <td>7,174,175</td>	Brokerage receivables, net		7,636,352		7,174,175	
Godwill         2,072,920         2,003,456           Other intangibles, net         471,933         532,108           Other assets         989,077         681,968           Total assets         \$53,739,303         \$44,567,686           LIABILITIES AND SHAREHOLDERS' EQUITY           Liabilities         Securities sold under agreements to repurchase         \$24,071,012         \$15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,008           Other borrowings         5,323,962         4,206,906           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,808           Convertible subordinated notes         688,664         546,664           Accounts payable, accrued and other liabilities         688,664         546,664           Accounts payable, accrued and other liabilities         4,263         4,168,126           Total liabilities         4,263         4,168,126           Total liabilities         4,263         4,266           Accounts payable, accrued and other liabilities         4,263         4,266           Accountil acquities, favore s			26,372,697		19,424,895	
Godwill         2,072,920         2,003,456           Other intangibles, net         471,933         532,108           Other assets         989,077         681,968           Total assets         \$53,739,303         \$44,567,686           LIABILITIES AND SHAREHOLDERS' EQUITY           Liabilities         Securities sold under agreements to repurchase         \$24,071,012         \$15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,008           Other borrowings         5,323,962         4,206,906           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,808           Convertible subordinated notes         688,664         546,664           Accounts payable, accrued and other liabilities         688,664         546,664           Accounts payable, accrued and other liabilities         4,263         4,168,126           Total liabilities         4,263         4,168,126           Total liabilities         4,263         4,266           Accounts payable, accrued and other liabilities         4,263         4,266           Accountil acquities, favore s	Property and equipment, net		318,389		299,256	
Other assets         989,077         681,968           Total assets         \$ 53,739,303         \$ 44,567,686           LIABILITIES AND SHAREHOLDERS' EQUITY           Liabilities           Deposits         \$ 24,071,012         \$ 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,028           Other borrowings         5,323,962         4,269,996           Senior notes         1,401,592         1,401,947           Accounts payable, accrued and other         440,577         435,889           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         688,664         546,664           Total liabilities         49,542,93         41,168,126           Common stock, \$0.01 par value, shares authorized: 600,000,000;           shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006         4,263         4,166           Additional paid-in-capital ("APIC")         4,263         4,166           Additional paid-in-capital ("APIC")         3,184,20         2,990,676           Retained earnings         6,201,472         1,757,12           Accu			2,072,920			
Total assets         \$ 53,739,303         \$ 44,567,686           Liabilities           Deposits         \$ 24,071,012         \$ 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,08           Other borrowings         5,333,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,889           Convertible subordinated notes         688,664         546,664           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares sissued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         1,209,289         580,430           Total shareholders' equity         3,399,501	Other intangibles, net		471,933		532,108	
LIABILITIES AND SHAREHOLDERS' EQUITY           Liabilities:           Deposits         \$ 24,071,012         \$ 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,008           Other borrowings         5,323,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,899           Convertible subordinated notes         688,664         546,664           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,1	Other assets		989,077		681,968	
Liabilities:         \$ 24,071,012         \$ 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,088           Other borrowings         5,323,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,889           Convertible subordinated notes         5         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Sharesholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,166,370         3,399,560	Total assets	\$		\$	44,567,686	
Deposits         \$ 24,071,012         \$ 15,948,015           Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,208           Other borrowings         5,323,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,589           Convertible subordinated notes         -         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Sharecholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	LIABILITIES AND SHAREHOLDERS' EQUITY					
Securities sold under agreements to repurchase         9,792,422         11,101,542           Brokerage payables         7,824,704         7,342,208           Other borrowings         5,323,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,589           Convertible subordinated notes         -         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Liabilities:					
Brokerage payables         7,824,704         7,342,208           Other borrowings         5,323,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,589           Convertible subordinated notes         -         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,166,370         3,399,560	Deposits	\$	24,071,012	\$	15,948,015	
Other borrowings         5,323,962         4,206,996           Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,589           Convertible subordinated notes         -         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Securities sold under agreements to repurchase		9,792,422		11,101,542	
Senior notes         1,401,592         1,401,947           Mandatory convertible notes         440,577         435,589           Convertible subordinated notes         -         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Brokerage payables		7,824,704		7,342,208	
Mandatory convertible notes       440,577       435,589         Convertible subordinated notes       -       185,165         Accounts payable, accrued and other liabilities       688,664       546,664         Total liabilities       49,542,933       41,168,126         Shareholders' equity:         Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively       4,263       4,166         Additional paid-in capital ("APIC")       3,184,290       2,990,676         Retained earnings       1,209,289       580,430         Accumulated other comprehensive loss       (201,472)       (175,712)         Total shareholders' equity       4,196,370       3,399,560	Other borrowings		5,323,962		4,206,996	
Convertible subordinated notes         -         185,165           Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Senior notes		1,401,592		1,401,947	
Accounts payable, accrued and other liabilities         688,664         546,664           Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Mandatory convertible notes		440,577		435,589	
Total liabilities         49,542,933         41,168,126           Shareholders' equity:           Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006 and 2005, respectively         4,263         4,166           Additional paid-in capital ("APIC")         3,184,290         2,990,676           Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Convertible subordinated notes		-		185,165	
Shareholders' equity:         Common stock, \$0.01 par value, shares authorized: 600,000,000;       4,263       4,166         shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006       4,263       4,166         Additional paid-in capital ("APIC")       3,184,290       2,990,676         Retained earnings       1,209,289       580,430         Accumulated other comprehensive loss       (201,472)       (175,712)         Total shareholders' equity       4,196,370       3,399,560	Accounts payable, accrued and other liabilities		688,664		546,664	
Common stock, \$0.01 par value, shares authorized: 600,000,000;       4,263       4,166         shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006       4,263       4,166         Additional paid-in capital ("APIC")       3,184,290       2,990,676         Retained earnings       1,209,289       580,430         Accumulated other comprehensive loss       (201,472)       (175,712)         Total shareholders' equity       4,196,370       3,399,560	Total liabilities		49,542,933		41,168,126	
shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006       4,263       4,166         Additional paid-in capital ("APIC")       3,184,290       2,990,676         Retained earnings       1,209,289       580,430         Accumulated other comprehensive loss       (201,472)       (175,712)         Total shareholders' equity       4,196,370       3,399,560	Shareholders' equity:					
Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	shares issued and outstanding: 426,304,136 and 416,582,164 at December 31, 2006		4,263		4,166	
Retained earnings         1,209,289         580,430           Accumulated other comprehensive loss         (201,472)         (175,712)           Total shareholders' equity         4,196,370         3,399,560	Additional paid-in capital ("APIC")		3,184,290		2,990,676	
Accumulated other comprehensive loss (201,472) (175,712) Total shareholders' equity 4,196,370 3,399,560						
Total shareholders' equity 4,196,370 3,399,560	Accumulated other comprehensive loss		(201,472)		(175,712)	
Total liabilities and shareholders' equity \$\frac{\$53,739,303}{\$}\$\$ \$\frac{44,567,686}{\$}\$\$	Total shareholders' equity		4,196,370		3,399,560	
	Total liabilities and shareholders' equity	\$	53,739,303	\$	44,567,686	





# E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (In thousands)

	Year Ended December 31,									
		2006		2005		2004				
Net income	\$	628,859	\$	430,412	\$	380,483				
Other comprehensive loss										
Available-for-sale securities:										
Unrealized gains, net		172		12,946		71,488				
Less impact of realized gains (transferred out of accumulated other comprehensive income) and										
included in net income, net		(80,387)		(77,858)		(127,236)				
Net change from available-for-sale securities		(80,215)		(64,912)		(55,748)				
Cash flow hedging instruments:										
Unrealized gains (losses), net		36,409		7,032		(51,137)				
Amortization of losses into operating interest expense related to de-designated cash flow hedges deferred in accumulated other										
comprehensive income, net		6,578		40,155		56,873				
Net change from cash flow hedging instruments		42,987		47,187		5,736				
Foreign currency translation gains (losses)		11,468		(16,788)		(1,210)				
Other comprehensive loss		(25,760)		(34,513)		(51,222)				
Comprehensive income	\$	603,099	\$	395,899	\$	329,261				





### E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (In thousands)

								Accumulated	
	Shares Exc	changeable				Additional		Other	Total
<u> </u>	into Comi	mon Stock	Comm	on Stock		Paid-in	Retained	Comprehensive	Shareholders'
_	Shares	Amount	Shares	Amount		Capital	Earnings	Loss	Equity
Balance, December 31, 2003	1,386	\$	14 366,636	\$ 3,	666	\$ 2,235,056	\$ (230,465)	\$ (89,977)	\$ 1,918,294
Net income	-				-	-	380,483	-	380,483
Other comprehensive loss	-				-	-	-	(51,222)	(51,222)
Exercise of stock options and purchase plans, including tax benefit	-		- 6,757		68	57,686	-	-	57,754
Employee stock purchase plan	-		- 1,443		14	8,640	-	-	8,654
Repurchases of common stock	-		- (13,664	) (	137)	(175,639)	-	-	(175,776)
Issuance of restricted stock	-		- 908		9	91	-	-	100
Cancellation of restricted stock	-		- (113	)	(1)	1	-	-	-
Shares issued upon debt conversion	-		- 7,438		74	79,889	-	-	79,963
Amortization of deferred stock compensation, net of cancellations and retirements	-		- (25	)	-	4,329	-	-	4,329
Conversion of Exchangeable Shares to common stock	(83)		(1) 83		1	-	-	-	-
Other	-		- 161		2	5,621	-	-	5,623
Balance, December 31, 2004	1,303	\$	13 369,624	\$ 3,	696	\$ 2,215,674	\$ 150,018	\$ (141,199)	\$ 2,228,202
Net income	-				-	-	430,412	-	430,412
Cumulative effect of accounting change	-				-	(2,777)	-	-	(2,777)
Other comprehensive loss	-				-	-	-	(34,513)	(34,513)
Exercise of stock options and purchase plans, including tax benefit	-		- 7,779	ı	78	77,657	-	-	77,735
Issuance of common stock upon exercise of forward contract	-				_	14,479	-	-	14,479
Employee stock purchase plan	-		- 902		9	8,377	-	-	8,386
Repurchases of common stock	-		- (4,548	)	(45)	(58,170)	-	-	(58,215)
Issuance of common stock upon acquisition	-		- 1,632		17	26,634	-	-	26,651
Issuance of common stock BrownCo Financing	-		- 39,722		397	691,385	-	-	691,782
Issuance of restricted stock	-		- 830	ı	8	(8)	-	-	-
Cancellation of restricted stock	-		- (516	)	(5)	5	-	-	-
Amortization of deferred stock compensation prior to adoptions of SFAS No. 123(R), net of cancellations and retirements	-		- (46	)	(1)	1,265	-	-	1,264
Amortization of deferred stock compensation to APIC under SFAS No. 123(R)	-				-	16,276	-	-	16,276
Conversion of Exchangeable Shares to common stock	(1,303)	(	1,303		13	-	-	-	-
Other			- (100	)	(1)	(121)			(122)
Balance, December 31, 2005		\$	- 416,582	\$ 4,	166	\$ 2,990,676	\$ 580,430	\$ (175,712)	\$ 3,399,560





## E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY-(Continued) (In thousands)

							Accumulated	
	Shares Excl	hangeable			Additional		Other	Total
	into Comm	on Stock	Commo	on Stock	Paid-in	Retained	Comprehensive	Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Equity
Balance, December 31, 2005	-	\$ -	416,582	\$ 4,166	\$ 2,990,676	5 \$ 580,43	0 \$ (175,712)	\$ 3,399,560
Net income	-	-	-	-	-	- 628,85	9 -	628,859
Other comprehensive loss	-	-	-	-		-	- (25,760)	(25,760)
Exercise of stock options and purchase plans, including tax benefit	-	-	5,931	60	82,824	ı		82,884
Issuance of common stock upon conversion of 6% convertible debt	-	-	7,772	78	183,333	3		183,411
Issuance of common stock upon acquisition	-	-	847	8	19,742	2		19,750
Repurchases of common stock	-	-	(5,267)	(53)	(122,548	3)		(122,601)
Issuance of restricted stock	-	-	640	6	(6	5)		-
Cancellation of restricted stock	-	-	(103)	(1)	1			-
Retirement of restricted stock to pay taxes	-	-	(98)	(1)	(2,364	1)		(2,365)
Amortization of deferred stock compensation to APIC under SFAS No. 123(R)	-	-	-	-	32,584	1		32,584
Other					48	3	<u></u>	48
Balance, December 31, 2006		\$ -	426,304	\$ 4,263	\$ 3,184,290	\$ 1,209,28	9 \$ (201,472)	\$ 4,196,370





## E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS (In thousands)

	Year Ended December 31,						
		2006	2005		2004		
CASH FLOWS FROM OPERATING ACTIVITIES:	·	_		_		_	
Net income	\$	628,859	\$	430,412	\$	380,483	
Adjustments to reconcile net income to net cash provided by operating activities:							
Cumulative effect of accounting change, net of tax		-		(1,646)		-	
Provision for loan losses		44,970		54,016		38,121	
Depreciation and amortization (including discount amortization and accretion)		286,841		362,965		398,297	
Gain on sales and impairment of investments		(125,953)		(174,798)		(257,465)	
Loss (gain) on disposition of assets		-		1,342		(57,451)	
Gain on sale of Consumer Finance Corporation		-		(46,099)		-	
Minority interest in subsidiaries and equity in income of investments and venture funds		(2,451)		(6,289)		(4,469)	
Non-cash facility restructuring costs and other exit activities		20,712		6,528		15,029	
Stock-based compensation		32,635		18,253		4,654	
Tax benefit from tax deductions in excess of compensation expense		(30,166)		(24,530)		(22,441)	
Other		11,650		(8,474)		11,503	
Net effect of changes in assets and liabilities:							
Decrease in cash and investments required to be segregated under Federal or other regulations		356,394		518,021		936,492	
Increase in brokerage receivables		(430,401)		(953,391)		(713,656)	
Increase (decrease) in brokerage payables		441,784		339,132		(117,567)	
Proceeds from sales, repayments and maturities of loans held-for-sale		1,506,896		7,182,775		6,857,431	
Purchases of loans held-for-sale		(1,836,108)		(3,717,745)		(6,063,974)	
Proceeds from sales, repayments and maturities of trading securities		1,943,977		3,779,503		9,354,027	
Purchases of trading securities		(1,978,828)		(6,751,698)		(9,122,071)	
Increase in other assets		(168,365)		(37,878)		(94,199)	
Increase (decrease) in accounts payable, accrued and other liabilities		194,957		(108,610)		63,786	
Facility restructuring liabilities		(16,325)		(5,053)		(11,564)	
Net cash provided by operating activities	\$	881,078	\$	856,736	\$	1,594,966	





## E\*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS-(Continued) (In thousands)

		Year Ended December 31,						
CASH FLOWS FROM INVESTING ACTIVITIES:		2006		2005		2004		
Purchases of available-for-sale mortgage-backed and								
investment securities	\$	(15,416,233)	\$	(14,320,762)	\$	(20,733,706)		
Proceeds from sales, maturities of and principal payments								
on available-for-sale mortgage-backed and investment securities		14,181,506		14,059,538		18,014,996		
Net increase in loans receivable		(6,969,132)		(7,887,040)		(3,487,941)		
Purchases of property and equipment		(109,493)		(79,014)		(108,887)		
Proceeds from sale of property and equipment		-		-		5,957		
Cash used in business acquisitions, net <sup>(1)(2)</sup>		(806)		(2,218,932)		(19,025)		
Net cash flow from derivatives hedging assets		(64,600)		(34,696)		(33,354)		
Proceeds from sales of discontinued businesses		3,470		56,902		106,868		
Other		(46,744)		19,376		1,613		
Net cash used in investing activities		(8,422,032)		(10,404,628)		(6,253,479)		
CASH FLOWS FROM FINANCING ACTIVITIES:								
Net increase (decrease) in deposits		8,095,971		3,668,914		(202,544)		
Advances from other long-term borrowings		5,978,100		19,638,000		7,064,500		
Payments on advances from other long-term borrowings		(4,969,100)		(17,267,000)		(6,472,753)		
Net increase (decrease) in securities sold under agreements to repurchase		(1,317,025)		1,181,832		4,603,641		
Net increase (decrease) in other borrowed funds		26,469		(12,151)		(64,215)		
Payments for redemption of convertible notes		(1,754)		-		(428,902)		
Proceeds from issuance of senior notes		-		992,064		394,000		
Proceeds from issuance of mandatory convertible notes		-		436,500		-		
Proceeds from issuance of common stock from employee stock transactions		52,718		61,351		43,974		
Proceeds from issuance of common stock upon acquisitions		-		691,783		-		
Tax benefit from tax deductions in excess of compensation								
expense recognition		30,166		24,530		22,441		
Repurchases of common stock		(122,601)		(58,215)		(175,776)		
Proceeds from issuance of subordinated debentures and trust								
preferred securities		79,900		50,000		75,630		
Payments on trust preferred securities		-		-		(23,375)		
Net cash flow from derivative hedging liabilities		56,156		45,056		(159,591)		
Other		<del>-</del>		(490)		25		
Net cash provided by financing activities		7,909,000		9,452,174		4,677,055		
INCREASE (DECREASE) IN CASH AND EQUIVALENTS		368,046		(95,718)		18,542		
CASH AND EQUIVALENTS, Beginning of period		844,188		939,906		921,364		
CASH AND EQUIVALENTS, End of period	\$	1,212,234	\$	844,188	\$	939,906		
SUPPLEMENTAL DISCLOSURES:								
Cash paid for interest	\$	1,348,636	\$	723,718	\$	437,714		
Cash paid for income taxes	\$	151,851	\$	206,494	\$	101,309		
Non-cash investing and financing activities:								
Transfers from loans to other real estate owned and repossessed	Φ.	56.456	¢.	50.101	¢.	47.000		
assets	\$	56,476	\$	50,191	\$	47,080		
Reclassification of loans held-for-sale to loans held-for-investment	\$	202,269	\$	178,347	\$			
Issuance of common stock to retire debentures	\$	183,411	\$	-	\$	79,963		

<sup>(1)</sup> In 2006, cash used in business acquisitions was related to the BrownCo purchase price true-up based on the final acquisition balance sheet and acquisition of RAA.

<sup>(2)</sup> In 2006, we acquired a small thrift for \$2.1 million. Along with the acquisition we received \$17.8 million in cash and cash equivalents.





This is an Intelligent Financial Statement<sup>TM</sup> by CoreFiling. The Intelligent Financial Statement<sup>TM</sup> embeds XBRL financial data in a viewable and printable document. By moving your mouse over the displayed data, pop-up CoreFiling TagTips<sup>TM</sup> will show you how the data is internally expressed as XBRL. (Please note that TagTips<sup>TM</sup> require Adobe® Reader® 7.0 or later.)

To obtain the embedded XBRL report and any XBRL extension taxonomies, double-click or right-click the paperclip icon or icons below.

For more information on the Intelligent Financial Statement™ or XBRL, please see http://www.corefiling.com.

XBRL report etfc-20061231.xml

XBRL taxonomy schema etfc-20061231.xsd

XBRL taxonomy linkbase etfc-20061231\_pre.xml

XBRL taxonomy linkbase etfc-20061231\_lab.xml

XBRL taxonomy linkbase etfc-20061231\_cal.xml